

ACKNOWLEDGEMENT OF RECEIPT

The undersigned acknowledges that the following package was received by
Oxy USA WTP L.P. from Bold Energy, LP on 11 day of May
 2007.

By: *[Signature]*

Printed Name: Angela Filer

Re: Package

**Well proposal for the Oxy-Checker State #2, located in Sec. 8, T19S, R29E,
 Eddy County, New Mexico.**

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. <p>Article Addressed to:</p> <p><i>Oxy USA WTP L.P. Attn: David Evans Le Desta Dr., Ste. 1000 Midland, TX 79705</i></p>	<p>A. Signature X <u><i>[Signature]</i></u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) C. Date of Delivery <u><i>[Signature]</i></u> <u>5/22/07</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
Article Number (Transfer from service label)	7005 1160 0005 3908 0780

**Postal Service™
 CERTIFIED MAIL™ RECEIPT**
 (Certified Mail Only; No Insurance Coverage Provided)

S Form 3811, February 2004.

Domestic Return Receipt

102595-02-M-1540

For more information visit our website at www.usps.com

Oil Conservation Commission
 Case No. 12
 Exhibit No. 12

OFFICIAL USE	
Postage	\$ 0.63
Certified Fee	\$2.40 ^v
Return Receipt Fee (Endorsement Required)	\$1.85
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 4.88

0702
 MIDLAND, TX 79705
 Postmark Here
 MAY 22 2007
 USPS
 515 NMACONT
 05/11/2007

ROBE 5000 09TT 5002

Sent to Oxy USA WTP L.P.
 Street, Apt. No. or PO Box No. Le Desta Dr., Ste. 1000
 City, State, ZIP+4 Midland, TX 79705

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

Oxy USA WTP L.P.
6 Desta Drive, Suite 600
Midland, Texas 79705

Attn: Mr. David R. Evans

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

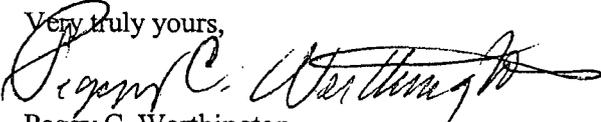
Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will work rapidly to commence operations to drill and complete the proposed well.

An Authorization for Expenditure is attached for a completed well cost of \$2,473,275.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,


Peggy C. Worthington
VP of Land

_____ AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE
IN BLANK)

Oxy USA WTP L.P.

By: _____

Date: _____

Well Name:		Data Processing Information					
Oxy Checker State #2		AFE No.				Original <input checked="" type="checkbox"/>	Version # <input checked="" type="checkbox"/>
Location:		700005				Supplement <input type="checkbox"/>	
1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		Before Casing Point		After Casing Point		Gross Total	
Intangible Costs (continued)		Drilling	Evaluation	Code	Completion	Prod Facilities	Code
26	Mud Materials & Services	49,500		3.4.6	2,500		3.4.7
	Mud Products & Chemicals	42,000			2,000		
	Mud Cleaning Equipment and Services						
	Mud / Gas Separator	7,500			500		
27	Bits, Underreamers & Hole Openers	75,000		1.1.5			
28	Directional Drilling Equipment & Services			1.3.6			
29	Fishing Tools & Services			1.3.3			3.3.3
30	Rental Equipment	86,500		1.3.2	19,000		3.3.2
	Forklift / Manlift / Light Plants / Generators	20,000					
	Reverse Unit / Matting Boards / Racks				7,500		
	Well Control Equipment	18,000			5,000		
	Rental DH Tools, Packers, Plugs				6,500		
	BHA, Drill Pipe & Motors	48,500					
31	Tubular Inspection & Testing	2,100		1.3.9	6,000		3.4.9
32	Casing Crows; NUID Services; BOPE Testing	25,000		1.1.7	10,000		3.1.7
33	Trucking of Tangible Items (not otherwise included)	13,000		1.8.7			3.8.7
34	Mud Logging		18,000	1.4.7			
35	Conventional Coring & Analysis			1.2.3			
36	Drill Stem Test Equipment & Services			1.2.8			
37	DH Completion Tools				8,000		3.1.4
38	Casing Accessories	3,500		1.0.7	2,000		3.0.7
	Float Equip, Centralizers, DV Tools	3,500			2,000		
	Liner - Hangers, Services						
39	Logging; Wireline / Slickline & Associated Rentals	14,000	46,000	1.4.4	73,000		3.4.4
	Electrical Logs		40,000				
	RFT / Sidewall Coring		6,000				
	Cased Hole Logs & CBL				11,000		
	Temperature Surveys	2,000			1,000		
	Gyro, Multi-Shot, Single Shot	12,000					
	Perforating, Plug / Packer Setting				55,000		
	Rental Lubricator & Flanges				5,000		
40	Cementing Services	51,000		1.1.8	35,000		3.3.8
	13 3/8" * OD 400 Sacks	21,000					
	8 5/8" * OD 1700 Sacks	30,000					
	5 1/2" * OD 800 Sacks				35,000		
	* OD Sacks						
	* OD Sacks						
	Squeeze Cementing						
	Cement Plugs						
41	Coiled Tubing Service						3.4.6
	CT and N ₂ Service						
	Rental Crane, Lubricator, Flanges						
42	Stimulation Materials & Services				180,000		3.4.0
43	Pump Truck (not otherwise included)			1.5.6	4,500		2.6.6
44	Production Testing Equipment & Services				35,000		3.3.6
45	Water Haul off and Disposal			1.7.3	13,000		3.7.3
46	Chemicals (Corrosion Control / Packer Fluid)			1.4.8	3,000		3.4.8
47	Roustabout Services (Labor not otherwise included)	18,000		1.8.9	5,000	17,000	3.8.9
48	Supplies	2,000		1.7.8	1,000	10,000	3.7.8
49	Meter Calibration & Repair					2,000	3.7.2
50	Repair Surface Equipment						
51	Repair Downhole Equipment						
52	Capitalized Overhead			1.0.2			3.0.2
53	Insurance - New Drill (<12,500; \$10K; +12,500; \$50K)	10,000		1.4.0			3.4.0
54	Contingency						
TOTAL INTANGIBLES		1,242,250	65,000		575,725	29,000	1,911,975

Cost Summary

TOTAL COST	(Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST		\$1,390,550			
COMPLETED WELL COST INCLUDING FACILITIES		\$2,473,275			

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Approved Rejected

Joseph L. Castillo

Name/Title: Joseph Castillo, President

Date: _____

Co-Owner Authorization

Approved Rejected

Company: _____

Name/Title: _____

Date: _____

MAY 29 2007

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701



Main: 432-686-1100
Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

Mr. Dick Frech
Monarch Resources, Inc.
115 W. 7th Street, Suite 1310
Fort Worth, Texas 76102

Attn: Mr. Dick Frech

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will work rapidly to commence operations to drill and complete the proposed well.

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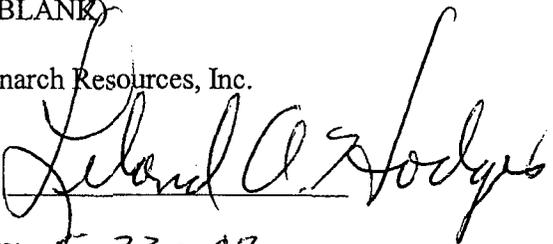
Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,


Peggy C. Worthington
VP of Land

Participate AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Monarch Resources, Inc.

By: 

Date: 5-23-07

RECEIVED

JUN 25 2007

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701



**SIGN &
RETURN**

Main: 432-686-1100
Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

Mr. Herbert Boles
223 W. Wall, Suite 825
Midland, TX 79701

Attn: Mr. Herbert Boles

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will work rapidly to commence operations to drill and complete the proposed well.

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Very truly yours,

Peggy C. Worthington
VP of Land

PARTICIPATE AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Herbert F. Boles

By: Herbert F. Boles

Date: 5/14/07



Operator BOLD ENERGY, LP		Well Name Oxy Checker State #2		TD 10,100'		
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E	County Eddy	State New Mexico		
BHL 1980' FNL & 660 FWL		Field Turkey Track				
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'		API Number TBA		
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. 700005 Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # 2				
Tangible Costs		Before Casing Point		After Casing Point		Gross Total
		Drilling	Evaluation	Code	Completion	
1. Tubulars		72,800		232,000		304,800
13-3/8" OD 0' to 375'		12,800				
8 5/8" OD 0 to 3000'		60,000				
5 1/2" OD 0 to 10,100'				175,000		
2 7/8" OD 0 to 10,100'				57,000		
" OD 0 to						
" OD 0 to						
2. Casinghead, Tubinghead, Christmas Tree		10,500		20,500		31,000
3. Tubing Accessories				9,500		9,500
Packers, Tubing Anchors				8,000		
On/off tools						
Nipples (SN & Profiles)				1,500		
Purchased RBP's, etc.						
4. Artificial Lift				75,000		75,000
5. Capillary System						
6. Production Equipment				91,000		91,000
Separators				50,000		
Metering Equipment				5,000		
Tanks				28,000		
Valves, Fittings & Couplings				8,000		
7. Electrical Lines & Equipment						
8. Flowline (WH to Production Unit)				5,000		5,000
Line Pipe				3,500		
Valves, Fittings & Couplings				1,500		
9. Pipeline (Production Unit to Sales Point)				45,000		45,000
Line Pipe				40,000		
Valves, Fittings & Couplings				5,000		
10. Water Disposal System						
Injection Pump						
Transfer Pump						
Gun Barrell & Tanks						
Metering Equipment						
Electrical Equipment						
Line, Valves, Fittings & Couplings						
11. Contingency 0%						
TOTAL TANGIBLES		83,300		262,000		561,300
Intangible Costs		Before Casing Point		After Casing Point		Gross Total
		Drilling	Evaluation	Code	Completion	
12. Contract Field Supervision		48,000		25,000		73,000
13. Contract Engineering / Technical		8,000		2,000		10,000
14. Auto Expense (In-house field travel)		500		1,000		2,500
15. Legal / Title (permits & contract legal work)		3,500		2,000		5,500
16. Location & Road Expense		121,500		8,500		130,000
Location Prep & Anchors				3,500		
Surveys (ROW & ARC) & Staking		1,500				
Damages		10,000				
Construction & Maintenance		35,000				
Conductor, Rat Hole, Mouse Hole		7,500				
Drilling Pit Lining		7,500				
Location Cleanup				5,000		
Pit Reclamation		60,000				
17. Rig Moving Expense, Mob / Demob, Mods, Stby		120,000				120,000
18. Contract Drilling		445,500		49,500		495,000
30 days \$16,500.00 per day						
19. Pulling Unit				40,000		40,000
10 days \$4,000.00 per day						
20. Power & Fuel (not otherwise included)		40,000		7,000		47,000
21. Onsite Supervisor Headquarters / Housekeeping		12,650		6,325		18,975
Trailer House Rental		4,500		2,250		
Generator for House Trailer						
Potable Water		750		375		
Phone / Internet / Satellite		5,400		2,700		
Waste Water Service		2,000		1,000		
22. Safety - Site Security / Equipment & Services						
Site Security						
H2S Monitoring		4,500				
Contract Safety Supervision						
23. Safety Incentive & Performance Bonus		30,000		1,000		31,000
24. Rig Monitoring Equipment		15,000		1,100		16,100
25. Water		48,000		35,300		83,300
Fresh Water Pit Construction & Lining						
Fresh Water Well Drilling						
Water Well Rental Equipment		20,000		5,000		
Water Well Usage				2,000		
Frac Tanks		3,000		15,300		
Water Hauling to Location		25,000		13,000		

Well Name:		Data Processing Information					
Oxy Checker State #2		AFE No.				Original <input checked="" type="checkbox"/>	Version # <input type="checkbox"/> 1
Location:		700005					
1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		Supplement <input type="checkbox"/>					
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000
Mud Products & Chemicals	42,000			2,000			
Mud Cleaning Equipment and Services							
Mud / Gas Separator	7,500			500			
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000
28. Directional Drilling Equipment & Services			1 3 6				
29. Fishing Tools & Services			1 3 3			3 3 3	
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500
Forklift / Manlift / Light Plants / Generators	20,000						
Reverse Unit / Matting Boards / Racks				7,500			
Well Control Equipment	18,000			5,000			
Rental DH Tools, Packers, Plugs				6,500			
BHA, Drill Pipe & Motors	48,500						
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000
34. Mud Logging		18,000	1 4 7				18,000
35. Conventional Coring & Analysis			1 2 3				
36. Drill Stem Test Equipment & Services			1 2 6				
37. DH Completion Tools				8,000		3 1 8	8,000
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500
Float Equip, Centralizers, DV Tools	3,500			2,000			
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000
Electrical Logs		40,000					
RFT / Sidewall Coring		6,000					
Cased Hole Logs & CBL				11,000			
Temperature Surveys	2,000			1,000			
Gyro, Multi-Shot, Single Shot	12,000						
Perforating, Plug / Packer Setting				55,000			
Rental Lubricator & Flanges				6,000			
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000
13 3/8 " OD 400 Sacks	21,000						
8 5/8 " OD 1700 Sacks	30,000						
5 1/2 " OD 900 Sacks				35,000			
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service						3 4 5	
CT and N ₂ Service							
Rental Crane, Lubricator, Flanges							
42. Stimulation Materials & Services				180,000		3 1 0	180,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				35,000		3 3 5	35,000
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 6 9	5,000	17,000	3 6 9	40,000
48. Supplies	2,000		1 7 8	1,000	10,000	3 7 8	13,000
49. Meter Calibration & Repair					2,000	3 7 2	2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %			1 0 2			3 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000
54. Contingency 0%							
TOTAL INTANGIBLES	1,242,250	65,000		575,725	29,000		1,911,975

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

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The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved Rejected

Approved Rejected

Name/Title: Joseph Castillo, President
Date: _____

Company: Herbert F. Boles
Name/Title: Herbert F. Boles OWNER
Date: 2/14/07

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701



Main: 432-686-1100
Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

Fuel Products, Inc.
Mr. Thomas M. Beall
PO Box 3098
Midland, TX 79702

Attn: Mr. Tom Beall

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

MAY 15 2007

Gentlemen:

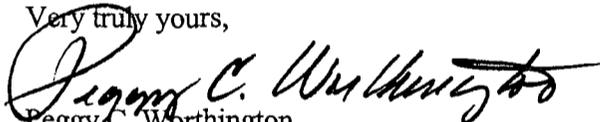
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Very truly yours,


Peggy C. Worthington
VP of Land

OMB AGREED TO PARTICIPATE ~~OR GO NON-CONSENT (PLEASE WRITE RESPONSE~~
IN BLANK)

Thomas M. Beall

By: Thomas M. Beall - President

Date: 5/15/07



Operator BOLD ENERGY, LP		Well Name Oxy Checker State #2			TD 10,100'			
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E		County Eddy	State New Mexico			
BHL 1980' FNL & 660 FWL		Field Turkey Track						
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'		API Number TBA				
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. 700005 Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # 2						
Tangible Costs		Before Casing Point			After Casing Point			Gross Total
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
1. Tubulars		72,800		2 0 4	232,000		4 0 4	304,800
13-3/8" OD 0' to 375'		12,800						
8 5/8" OD 0 to 3000'		60,000						
5 1/2" OD 0 to 10,100'					175,000			
2 7/8" OD 0 to 10,100'					57,000			
" OD 0 to "								
" OD 0 to "								
2. Casinghead, Tubinghead, Christmas Tree		10,500		2 9 3	20,500		4 9 3	31,000
3. Tubing Accessories					9,500		4 1 2	9,500
Packers, Tubing Anchors					8,000			
On/off tools								
Nipples (SN & Profiles)					1,500			
Purchased RBP's, etc.								
4. Artificial Lift						75,000	4 9 4	75,000
5. Capillary System							4 1 1	
6. Production Equipment						91,000	4 3 8	91,000
Separators						50,000		
Metering Equipment						5,000		
Tanks						28,000		
Valves, Fittings & Couplings						8,000		
7. Electrical Lines & Equipment							4 2 8	
8. Flowline (WH to Production Unit)						5,000	4 5 6	5,000
Line Pipe						3,500		
Valves, Fittings & Couplings						1,500		
9. Pipeline (Production Unit to Sales Point)						45,000	4 5 7	45,000
Line Pipe						40,000		
Valves, Fittings & Couplings						5,000		
10. Water Disposal System							4 9 0	
Injection Pump								
Transfer Pump								
Gun Barrell & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 0%								
TOTAL TANGIBLES		83,300	0		262,000	216,000		561,300
Intangible Costs		Before Casing Point			After Casing Point			Gross Total
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
12. Contract Field Supervision		48,000		1 0 6	25,000		3 0 6	73,000
13. Contract Engineering / Technical		8,000		1 3 0	2,000		3 3 0	10,000
14. Auto Expense (in-house field travel)		500	1,000	1 1 3	1,000		3 1 3	2,500
15. Legal / Title (permits & contract legal work)		3,500		1 4 2	2,000		3 4 2	5,500
16. Location & Road Expense		121,500		1 4 3	8,500		3 4 3	130,000
Location Prep & Anchors					3,500			
Surveys (ROW & ARC) & Staking		1,500						
Damages		10,000						
Construction & Maintenance		35,000						
Conductor, Rat Hole, Mouse Hole		7,500						
Drilling Pit Lining		7,500						
Location Cleanup					5,000			
Pit Reclamation		60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby.		120,000		1 6 7				120,000
18. Contract Drilling		445,500		1 2 4	49,500		3 2 4	495,000
30 days \$16,500.00 per day								
19. Pulling Unit					40,000		3 1 9	40,000
10 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)		40,000		1 0 8	7,000		3 0 8	47,000
21. Onsite Supervisor Headquarters / Housekeeping		12,650		1 0 5	6,325		3 0 5	18,975
Trailer House Rental		4,500			2,250			
Generator for House Trailer								
Potable Water		750			375			
Phone / Internet / Satellite		5,400			2,700			
Waste Water Service		2,000			1,000			
22. Safety - Site Security / Equipment & Services				1 7 4			3 7 4	
Site Security								
H2S Monitoring		4,500						
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus		30,000		1 4 1	1,000		3 4 1	31,000
24. Rig Monitoring Equipment		15,000		1 1 4	1,100		3 1 4	16,100
25. Water		48,000		1 9 0	35,300		3 9 0	83,300
Fresh Water Pit Construction & Lining								
Fresh Water Well Drilling								
Water Well Rental Equipment		20,000			5,000			
Water Well Usage					2,000			
Frac Tanks		3,000			15,300			
Water Hauling to Location		25,000			13,000			

Well Name:		Data Processing Information					
Oxy Checker State #2		AFE No.			Original <input checked="" type="checkbox"/>	Version #	1
Location:		700005			Supplement <input type="checkbox"/>		
1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico							
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000
Mud Products & Chemicals	42,000			2,000			
Mud Cleaning Equipment and Services							
Mud / Gas Separator	7,500			500			
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000
28. Directional Drilling Equipment & Services			1 3 6				
29. Fishing Tools & Services			1 3 3			3 3 3	
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500
Forklift / Manlift / Light Plants / Generators	20,000						
Reverse Unit / Matting Boards / Racks				7,500			
Well Control Equipment	18,000			5,000			
Rental DH Tools, Packers, Plugs				6,500			
BHA, Drill Pipe & Motors	48,500						
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000
34. Mud Logging		18,000	1 4 7				18,000
35. Conventional Coring & Analysis			1 2 3				
36. Drill Stem Test Equipment & Services			1 2 6				
37. DH Completion Tools				8,000		3 1 6	8,000
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500
Float Equip, Centralizers, DV Tools	3,500			2,000			
Liner - Hangers, Services							
39. Logging, Wireline / Silckline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000
Electrical Logs		40,000					
RFT / Sidewall Coring		6,000					
Cased Hole Logs & CBL				11,000			
Temperature Surveys	2,000			1,000			
Gyro, Multi-Shot, Single Shot	12,000						
Perforating, Plug / Packer Setting				55,000			
Rental Lubricator & Flanges				6,000			
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000
13 3/8" * OD 400 Sacks	21,000						
8 5/8" * OD 1700 Sacks	30,000						
5 1/2" * OD 900 Sacks				35,000			
* OD Sacks							
* OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service						3 4 5	
CT and N ₂ Service							
Rental Crane, Lubricator, Flanges							
42. Stimulation Materials & Services				180,000		3 1 0	180,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				35,000		3 3 5	35,000
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 6 9	5,000	17,000	3 6 9	40,000
48. Supplies	2,000		1 7 6	1,000	10,000	3 7 6	13,000
49. Meter Calibration & Repair					2,000	3 7 2	2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %			1 0 2			3 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000
54. Contingency 0%							
TOTAL INTANGIBLES	1,242,250	65,000		575,725	29,000		1,911,975

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related re-drilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved Rejected

Approved Rejected

Name/Title: Joseph Castillo, President
Date: _____

Company: Fuel Products Inc
Name/Title: Thomas M. Bull - Pres.
Date: 5/15/07

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701



Main: 432-686-1100
Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

Mr. Tom Beall
550 West Texas
Midland, TX 79701

Attn: Mr. Tom Beall

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

MAY 15 2007

Gentlemen:

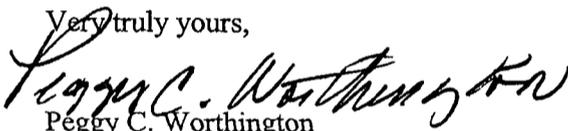
Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will work rapidly to commence operations to drill and complete the proposed well.

An Authorization for Expenditure is attached for a completed well cost of \$2,473,275.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

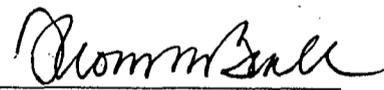
Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,


Peggy C. Worthington
VP of Land

amb AGREED TO PARTICIPATE ~~OR GO NON-CONSENT (PLEASE WRITE RESPONSE~~
IN BLANK)

Thomas M. Beall

By: 

Date: 5/15/07

Operator BOLD ENERGY, LP		Well Name Oxy Checker State #2			TD 10,100'			
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E	County Eddy	State New Mexico				
BHL 1980' FNL & 660 FWL		Field Turkey Track						
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'		API Number TBA				
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. 700005 Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # 2						
Tangible Costs		Before Casing Point		After Casing Point		Gross Total		
		Drilling	Evaluation	Code	Completion		Prod Facilities	
1. Tubulars		72,800		2 0 4	232,000	4 0 4	304,800	
Setting Depths								
13-3/8" OD 0' to 375'		12,800						
8 5/8" OD 0 to 3000'		60,000						
5 1/2" OD 0 to 10,100'					175,000			
2 7/8" OD 0 to 10,100'					57,000			
" OD 0 to "								
" OD 0 to "								
2. Casinghead, Tubinghead, Christmas Tree		10,500		2 9 3	20,500	4 9 3	31,000	
3. Tubing Accessories					9,500	4 1 2	9,500	
Packers, Tubing Anchors					8,000			
On/off tools								
Nipples (SN & Profiles)					1,500			
Purchased RBP's, etc.								
4. Artificial Lift						75,000	4 9 4	75,000
5. Capillary System							4 1 1	
6. Production Equipment						91,000	4 3 8	91,000
Separators						50,000		
Metering Equipment						5,000		
Tanks						28,000		
Valves, Fittings & Couplings						8,000		
7. Electrical Lines & Equipment							4 2 8	
8. Flowline (WH to Production Unit)						5,000	4 5 8	5,000
Line Pipe						3,500		
Valves, Fittings & Couplings						1,500		
9. Pipeline (Production Unit to Sales Point)						45,000	4 5 7	45,000
Line Pipe						40,000		
Valves, Fittings & Couplings						5,000		
10. Water Disposal System							4 9 0	
Injection Pump								
Transfer Pump								
Gun Barrell & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 0%								
TOTAL TANGIBLES		83,300	0		262,000	216,000		561,300
Intangible Costs		Before Casing Point		After Casing Point		Gross Total		
		Drilling	Evaluation	Code	Completion		Prod Facilities	
12. Contract Field Supervision		48,000		1 0 6	25,000	3 0 6	73,000	
13. Contract Engineering / Technical		8,000		1 3 0	2,000	3 3 0	10,000	
14. Auto Expense (in-house field travel)		500	1,000	1 1 3	1,000	3 1 3	2,500	
15. Legal / Title (permits & contract legal work)		3,500		1 4 2	2,000	3 4 2	5,500	
16. Location & Road Expense		121,500		1 4 3	8,500	3 4 3	130,000	
Location Prep & Anchors					3,500			
Surveys (ROW & ARC) & Staking		1,500						
Damages		10,000						
Construction & Maintenance		35,000						
Conductor, Rat Hole, Mouse Hole		7,500						
Drilling Pit Lining		7,500						
Location Cleanup					5,000			
Pit Reclamation		60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby		120,000		1 8 7			120,000	
18. Contract Drilling		445,500		1 2 4	49,500	3 2 4	495,000	
30 days \$16,500.00 per day								
19. Pulling Unit					40,000	3 1 9	40,000	
10 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)		40,000		1 0 8	7,000	3 0 8	47,000	
21. Onsite Supervisor Headquarters / Housekeeping		12,650		1 0 5	6,325	3 0 5	18,975	
Trailer House Rental		4,500			2,250			
Generator for House Trailer								
Potable Water		750			375			
Phone / Inernet / Satellite		5,400			2,700			
Waste Water Service		2,000			1,000			
22. Safety - Site Security / Equipment & Services				1 7 4		3 7 4		
Site Security								
H2S Monitoring		4,500						
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus		30,000		1 4 1	1,000	3 4 1	31,000	
24. Rig Monitoring Equipment		15,000		1 1 4	1,100	3 1 4	16,100	
25. Water		48,000		1 9 0	35,300	3 9 0	83,300	
Fresh Water Pit Construction & Lining								
Fresh Water Well Drilling								
Water Well Rental Equipment		20,000			5,000			
Water Well Usage					2,000			
Frac Tanks		3,000			15,300			
Water Hauling to Location		25,000			13,000			

Well Name: Oxy Checker State #2		Data Processing Information					
Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No. 700005			Original <input checked="" type="checkbox"/>	Version # 1	
		Supplement <input type="checkbox"/>					
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000
Mud Products & Chemicals	42,000			2,000			
Mud Cleaning Equipment and Services							
Mud / Gas Separator	7,500			500			
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000
28. Directional Drilling Equipment & Services			1 3 6				
29. Fishing Tools & Services			1 3 3			3 3 3	
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500
Forklift / Manlift / Light Plants / Generators	20,000						
Reverse Unit / Matting Boards / Racks				7,500			
Well Control Equipment	18,000			5,000			
Rental DH Tools, Packers, Plugs				6,500			
BHA, Drill Pipe & Motors	48,500						
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000
34. Mud Logging		18,000	1 4 7				18,000
35. Conventional Coring & Analysis			1 2 3				
36. Drill Stem Test Equipment & Services			1 2 6				
37. DH Completion Tools				8,000		3 1 6	8,000
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500
Float Equip, Centralizers, DV Tools	3,500			2,000			
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000
Electrical Logs		40,000					
RFT / Sidewall Coring		6,000					
Cased Hole Logs & CBL				11,000			
Temperature Surveys	2,000			1,000			
Gyro, Multi-Shot, Single Shot	12,000						
Perforating, Plug / Packer Setting				55,000			
Rental Lubricator & Flanges				6,000			
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000
13 3/8 " OD 400 Sacks	21,000						
8 5/8 " OD 1700 Sacks	30,000						
5 1/2 " OD 900 Sacks				35,000			
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service						3 4 5	
CT and N ₂ Service							
Rental Crane, Lubricator, Flanges							
42. Stimulation Materials & Services				180,000		3 1 0	180,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				35,000		3 3 5	35,000
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 6 9	5,000	17,000	3 6 9	40,000
48. Supplies	2,000		1 7 6	1,000	10,000	3 7 6	13,000
49. Meter Calibration & Repair					2,000	3 7 2	2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %			1 0 2			3 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000
54. Contingency 0%							
TOTAL INTANGIBLES	1,242,250	65,000		575,725	29,000		1,911,975

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S. L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved Rejected

Approved Rejected

Name/Title: Joseph Castillo, President

Company: Stemco Bank

Date: _____

Date: 5/15/07